

June 8, 2010

Mr. Lenny Goldberg
Federal Highway Administration (HPPI-10)
400 7th Street, S.W., Room 3306
Washington, D.C. 20590

RE: FHWA-536 (Local Highway Finance Report)

We are submitting, herewith, the referenced report in File 536DE09.xls, which conforms to “A Guide to Reporting Highway Statistics.”

The municipalities in Delaware, comprising 57 cities and towns, do not receive federal-aid for highways and streets. However, the cities and towns receive municipal aid from DelDOT’s Transportation Trust Fund (TTF) on an annual basis. [The Municipal Street-Aid fund](#) amounted to \$6 million for FY 2009 in Delaware as indicated below, along with other statistical data.

2005-2009 Population, Street Mileage and Municipal Aid						
Year	Population	% Change	Street Mileage	% Change	TOTAL AID	% Change
		Previous Year		Previous Year	FY-June 30	Previous Year
2005	243,996	2.01%	732.23	1.66%	6,000,000	0.00%
2006	247,190	1.31%	741.63	1.28%	5,000,000	-16.67%
2007	252,701	2.23%	769.22	3.72%	5,000,000	0.00%
2008	257,575	1.93%	780.80	1.51%	5,500,000	10.00%
2009	261,339	1.46%	785.90	0.65%	6,000,000	9.09%

Since 2005, the municipal population increased by 7.11% and the street mileage increased by 7.33%, while at the same time the Municipal Street Aid remained still the same as in 2005. For the Fiscal year 2010, which ends on June 30, 2010, there were no funds available for municipal aid by the state.

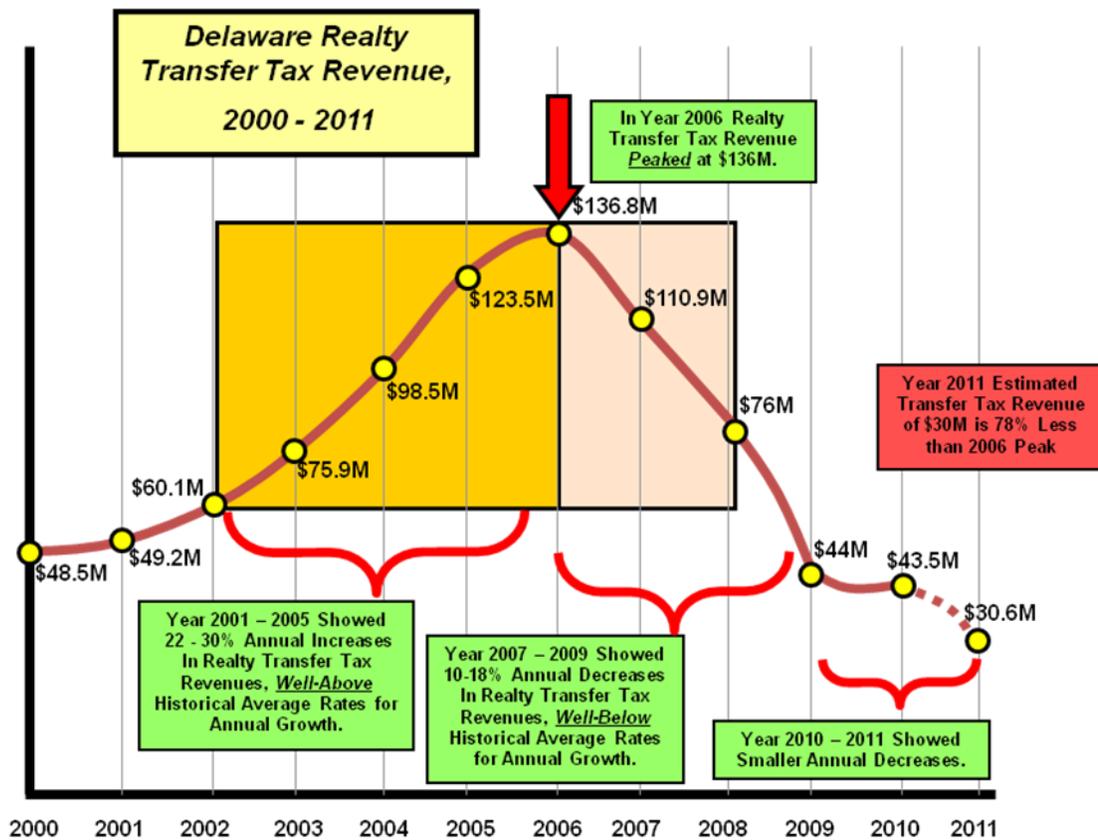
Apart from the Municipal Aid, the General Fund appropriation, through state legislation, was \$16.75 million from the TTF. The 62 Delaware legislators received \$250,000 each, and an additional amount of \$1.25 million was appropriated collectively for drainage projects statewide from the Transportation Trust Fund.

All 57 municipalities of the state use Municipal Street Aid funds to repair, repave, maintain street lights, and make other safety improvements in their jurisdiction. Therefore, the municipal streets are lacking essential maintenance work without the funds.

The economic downturn has taken a severe toll on the municipalities. Balancing the budget without raising taxes has resulted in the reduction of services. Some municipalities did not have enough resources to remove snow from the streets during the past winter. With new casinos in

the adjacent states [Delaware Municipalities with Casinos & Gambling](#) are expected to incur further loss of revenue.

Delaware has a Realty Transfer Tax, which is 3% of the sale price. The buyer and the seller pay 1.5% each. Depending on the location of property, the revenue from the Realty Transfer Tax is split between the state and the municipality, or the state and the county. The annual revenues are presented below.



Source: Delaware Economic Financial Advisory Committee (May 2010 Report)

One of the major sources of revenue for Delaware municipalities is the property transfer tax. As the above display indicates, the trend seems to be a loss of realty transfer revenues for the past several years. The decline in value of residential houses as a result of the subprime mortgage debacle has contributed to the loss. The elegant Wilmington Waterfront condos are on auction sale at a rock bottom price.

The home buyers tax breaks have ended, which helped the housing market. Current lower mortgage interest rates may help the home owners with adequate equity to refinance. But for the real estate market to bounce back, both accelerated construction of new housing projects and

further structural adjustments within the economy are essential. Also, increases in employment, consumer confidence and spending are critical to enhanced municipal revenues.

At present, the municipalities are seeking innovative ways to generate revenues. One of the options is to increase the number speed traps located in the municipalities throughout the state. The locations are indicated at [The National Speed Trap Exchange](#). Average motorists are paying hefty traffic tickets, while the municipalities are benefitting. Likewise red light running video cameras under the [Electronic Red Light Safety Program](#) (ERSLP) have been generating increased revenue for municipalities. The City of Dover and the City of Wilmington both received sizable increases generated from this program, but still have substantial budget shortfalls.

It is not clear when the disbursement from the TTF to municipalities will resume, and when the revenue shortfalls of the municipalities will be alleviated. But it seems there is a need to review the formula-based distribution of the Municipal Street-Aid fund for more equity in the distribution to small towns when the program resumes.

Municipal bonds have defaulted in recent years, and are at risk for the near future. There are 57 municipalities in Delaware. Only three municipalities have reported "Bonds Outstanding" under the title Local Highway Debt Status. The comparison between the last reporting in 2007 and this report for the Fiscal Year 2009 is presented below.

Municipality	2007 Closing Debt	2009 Closing Debt	City Contact Person
Wilmington	11,689,869	31,298,245	Robert Johnson
Dover	342,211	162,069	Donna Mitchell
Milford	372,405	303,362	Jeffrey Portmann

So far, most of the municipalities in Delaware have maintained excellent bond ratings. But, most recently, the revenue short falls are being felt at not only the state level, but at the city, town, and county levels as well. Not all municipalities have fully funded pension and health care plans.

Finally, some financial managers of municipalities have found that the existing FHWA -536 instructions are not user-friendly. Many of the small municipalities have a difficult time in determining the percentage of distribution of Highway Law Enforcement funds, especially where the municipality officials carry out multiple functions.

Lenny Goldberg

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More details on the municipalities are on the internet site [Local Highway Finance Report \(FHWA -536\)](#).

I will be pleased to provide additional information, if needed.

Sincerely,

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cc: Kris Riesenber, FHWA, DelMar Division Office
Tyrone Crittenden, Program Manager, DelDOT

File name: 536_2009.Doc

Attached Excel File Name: 536DE09.xls